

Senate Joint Resolution No. 6

RESOLUTION CHAPTER 18

Senate Joint Resolution No. 6—Relative to multifamily rental housing.

[Filed with Secretary of State March 27, 2001.]

LEGISLATIVE COUNSEL'S DIGEST

SJR 6, Dunn. Multifamily rental housing.

This measure would memorialize the President of the United States and the Congress to review the tax structure within the Internal Revenue Code, including depreciation schedules and passive loss provisions that favored investment in multifamily rental housing, as they existed prior to the Tax Reform Act of 1986, and to enact new tax benefits that complement the federal Low-Income Housing Tax Credit Program and provide additional incentives to invest in multifamily rental housing, so that the significant shortage of affordable multifamily housing both in California and throughout the United States may be addressed through increased investment.

WHEREAS, California is in the midst of a housing shortage, causing housing prices to rise out of the reach of most low- and middle-income families, and forcing many low- and moderate-income workers, including teachers, police officers, firefighters, construction workers, public sector employees, retail and service sector employees, and other low- and moderate-income workers to seek housing up to two or three commute hours away from employment centers, thereby increasing traffic congestion, air pollution, and reducing available family time, economic productivity, and quality of life; and

WHEREAS, There has been a continuous, appreciable, and verifiable decline in the number of building permits issued for multifamily housing since 1986, with the percentage of multifamily housing permits of the total number of housing construction permits granted in California dropping from 148,085 or 47 percent of total residential permits issued in 1986, to 36,000 or 25 percent of total residential permits issued in the year 2000, and the percentage of multifamily building permits has remained below 20 percent of the total number of housing permits issued for most of the 1990's; and

WHEREAS, There also has been a continuous, appreciable, and verifiable decline in the construction of multifamily units on a nationwide basis, with the percentage of multifamily housing permits of



the total number of housing permits dropping from 656,000 or 38 percent of total residential permits issued in 1985, to 324,000 or 21 percent of total residential permits issued in the year 2000; and

WHEREAS, In California and most parts of the nation, most multifamily units currently under construction are for use as rental housing rather than owner-occupied housing; and

WHEREAS, Despite the rebound of the California economy over the last several years, increasing demand for rental housing, and accelerating rents, these market factors have not resulted in a significantly increased level of private investment in multifamily housing, when compared to historical patterns of multifamily construction during economic upswings both within the state, as well as nationally, during the decades prior to 1986; and

WHEREAS, Although there are several factors that contribute to the inadequate pace of multifamily rental housing construction, most economists agree that provisions of the Tax Reform Act of 1986 that lengthened the number of years necessary to fully depreciate private investments in rental real property from 19 to 27.5 years and that restricted the ability of private investors to deduct passive losses resulting from investments in rental real property have significantly reduced the incentive to invest in and own multifamily rental housing; and

WHEREAS, A beneficial outcome of the Tax Reform Act of 1986 was the creation of the federal Low-Income Housing Tax Credit Program, that has enabled the construction of hundreds of thousands of rental housing units affordable to lower income households, but that by itself has been unable to satisfy the overall demand for new rental housing; now, therefore, be it

Resolved by the Senate and Assembly of the State of California, jointly, That the Legislature respectfully requests the President and Congress of the United States to review federal tax law applicable to rental housing, including depreciation schedules and passive loss provisions, as they existed prior to the Tax Reform Act of 1986, and to enact new tax benefits that complement the Low- Income Housing Tax Credit Program and provide additional incentives to invest in multifamily rental housing, so that the significant shortage of multifamily rental housing both in California and throughout the United States may be addressed through increased private investment; and be it further

Resolved, That the Secretary of the Senate transmit copies of this resolution to the President and Vice President of the United States, the



Speaker of the House of Representatives, and each Senator and Representative from California in the Congress of the United States.

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